



Research Paper

# Unleashing The Power: How Facebook Adoption Impacts Small And Medium Enterprise Performance In Buloba Town, Wakiso, Uganda.

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## Abstract

The rise in social media usage has revolutionized information dynamics, transforming traditional communication into a multidirectional, interactive process. This study explores the impact of Facebook adoption on Small and Medium-sized Enterprises (SMEs) performance, addressing a notable gap in the Ugandan context. A quantitative survey involving 120 SMEs employed a comprehensive questionnaire validated for content and reliability. Existing literature suggests that Facebook positively influences SME performance, more so in areas like cost-effective marketing and customer engagement. Results highlight a moderate to high levels of Facebook adoption among SMEs. Correlation analysis reveals positive associations between Facebook adoption and SME performance. Regression analysis further signifies Facebook's significant impact ( $R^2=0.142$ ,  $P<0.0003$ ), particularly through customer engagement ( $B=0.263$ ,  $p<0.029$ ). The study points out the unique relationship between Facebook adoption and SME performance and thus recommend businesses to strategically engage with customers on this platform. While the model explains a part of SME performance, areas for future research to explore additional influencing factors are recommended.

**Keyword:** SMEs, Performance, Facebook, Social media, Uganda, Sustainable Development Goals (SDGs).

Received 04Nov., 2023; Revised 14Nov., 2023; Accepted 16Nov., 2023 © The author(s) 2023.

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## I. INTRODUCTION

The advent of social media platforms has brought about a transformative shift in the manner in which individuals acquire, consume, and disseminate information. This digital paradigm shift has ushered in an era of multidirectional communication pathways and concurrent social interactions as observed by Buechel and Berger (2015). The pervasive utilization of social media engenders significant challenges for advertisers and marketers, necessitating a fundamental reconfiguration of the processes involved in crafting and disseminating persuasive messages. It has been observed by Beckers, van Doorn, and Verhoef (2017) that businesses are increasingly inclined to leverage the potential of social media to revamp their operational strategies, recognizing that individuals are no longer passive recipients of marketing communication but active participants who engage with companies and other users in the online sphere (Kunz et al. 2017).

Bakaykina (2013) argued that social media has begun to attract and motivate a substantial number of unemployed individuals to establish their Small and Medium-sized Enterprises (SMEs), a phenomenon supported by government initiatives. These individuals often opt for Facebook due to its relatively higher social engagement and consumer-centric attributes when engaging in business-to-business (B2B) activities (Dahnil et al., 2014). It is important, however, that many SMEs utilizing Facebook as a platform for marketing and sales primarily target end consumers rather than engaging in B2B transactions (Alraja, et al 2020). Alraja, et al (2020) observed that the power of social media marketing significantly increases the efficiency of SMEs in the majority of developing nations (like Uganda). In particular, social media's demographic targeting function makes it easier to purchase and more accessible to the quality of services supplied by SMEs. Among the key advantages for SMEs employing Facebook are improved customer satisfaction, superior marketing, cost-effective usage, and

quality of services. It is a fact that SMEs can help to achieve national goals and objective along with the of the Sustainable Development Goal 17 (SDG 17) which is focused on strengthening the means of implementation and revitalizing the global partnership for sustainable development.

Established in 2004, Facebook has emerged as a platform of significant interest to retailers due to its diverse array of capabilities for reaching and engaging new clientele (Chugh & Ruhi, 2018). As of 2023, Facebook boasts of approximately 3 billion active users on a monthly basis. It is now recognised as the preeminent social network globally, experiencing a consistent upsurge in daily user traffic. This has informed the choice as to why this study focused on Facebook out of the other social media platforms. The fact is Facebook, has had a significant influence on the global business environment (Bellucci & Manetti, 2017). SMEs are a crucial part of the local economy in Buloba Town, Wakiso, Uganda. But a thorough understanding of the effects of Facebook adoption on the functioning of these SMEs is needed. By examining the complex relationship between Facebook adoption and SME performance in Buloba Town, this study aims to contribute knowledge gap in the context of Uganda. The finding can provide insights that can guide strategic choices for the SMEs and policy development to improve the competitiveness and sustainability of local businesses in the digital age.

## **II. LITERATURE REVIEW**

### **2.1 Facebook and SME Performance**

The study done by Handayani and Lisdianingrum (2011), shows that Facebook has strongly influenced the economic performance of SMEs. It was also found out that the use of Facebook has greatly influenced the non-financial performance of SMEs as regards the reduction of costs on marketing and customer care, improvement of information accessibility and customer relations. To add on, factors like cost effectiveness, compatibility and interactivity were seen as factors that impact the use of Facebook among SMEs (Handayani & Lisdianingrum, 2011). However, most of the SMEs owners that sell goods and services using Facebook, sell them directly to the consumers and not businesses. According to Carter (2014), the use of Facebook by SMEs has four main characteristics namely: (i) When interacting with clients or other businesses, the business dealing approach is different, (ii) Facebook is not suitable for business-to-business communication, but it is much more suitable for business-to-consumer communication, (iii) Facebook has more advantages in business-to-consumer interactions, and (iv) Facebook offers better opportunities for new business e-commerce

Certainly, Carmichael and Cleave (2012) conducted a study in which they confirmed that entrepreneurs who use Facebook for business advertisement agree that Facebook can facilitate the building of customer relationships as opposed to advertising goods and services to consumers. In general, social media has benefited a lot of people by improving their quality of life, increasing business profitability, and allowing the public to easily interact with their government. Galati et al. (2017) asserted that social media online sites are a critical strategic advertising tool for every company in this day and age, in terms of assisting business organizations in interacting with their customers and thus improving their overall performance. Alraja, et al (2020) concurred with Kithinji (2014) that Facebook advertisements provide SMEs with a variety of benefits, including high-quality services, cost efficiency, excellence in marketing, and an increased level of customer satisfaction. A business's social media presence is argued to be even more important in determining the business and customer aspects of its operations (Chanthinok et al., 2015). Similarly, Ramsaran-Fowdar and Fowdar (2013) confirmed that Facebook advertisements allow businesses to market, socialize, and progressively establish customer relationships at a much lower cost as compared to traditional advertising channels. As a result, the majority of current SMEs have begun to use social media like Facebook as an important part of their marketing plan.

A study conducted by Parveen (2012) showed that Facebook has been recognized as the most powerful medium for conducting business. The study further showed that small and medium-sized companies are increasingly adopting social media advertising because of its compatibility, relative advantage, entrepreneurial orientation, and ease of use. As a result, Kiprotich et al. (2015) examined whether social networking advertisements play a moderating role in influencing the relationship between the orientation of entrepreneurs and SMEs' performance in Kenya. The study found out that social networking adverts positively regulate the relationship between the entrepreneur's reactive nature and the performance of SMEs. It has also been confirmed that social network advertisements facilitate entrepreneurial orientation by improving companies' capability to access, recognize, and organize external resources that are beneficial to SME's effectiveness (Alraja, et al, 2020). Ogunnaike and Kehinde (2013) too found out that digital social media such as Facebook has a significant impact on the sales turnover of SMEs. Furthermore, physical social networks such as trade associations were found to possess a significant influence on improved company performance. The authors also found out that

social media networking is regarded as a useful resource by contemporary small business owners when it comes to running a successful company.

Sulaiman, et al (2017) explored the utilization of Facebook by SMEs for business purposes. The research predominantly focused on Facebook usage from either individual or organizational standpoints. Their study found that Facebook usage demonstrated a positive association with both financial and non-financial aspects of organizational performance. This finding is echoed in Yoon, et al (2018, p.24) who states that "Facebook comments directed toward a company, also have a significant and positive effect on revenue". Similarly, Fakhreldin, Shahin and Miniesy (2023) investigated the influence of Facebook and Instagram usage on the development of micro, small, and medium enterprises (MSMEs) in Egypt. Their findings too reveal a positive correlation between social media usage and both financial and non-financial growth. Notably, Facebook exerts a more pronounced influence on financial growth and brand performance, whereas the combined utilization of Facebook and Instagram exhibits a greater impact on enhancing customer engagement within the MSME sector. Several studies (Odoom, et al 2017; Leong, Jaafar & Sulaiman, 2017; Fakhreldin, Shahin & Miniesy, 2023) have confirmed the positive effect of Facebook adoption and usage to business performance. On this basis the hypothesis is stated:

H1: Facebook adoption has a significant effect on SME performance in Buloba Town, Wakiso, Uganda.

### III. METHODOLOGY

In this scholarly investigation, a descriptive quantitative survey methodology was employed to evaluate the performance of Small and Medium-sized Enterprises (SMEs) in the locale of Buloba. The research cohort encompasses a total of 170 SMEs operating within the Buloba region. A sample size of 120 was determined through the application of the Sloven's formula. While the sampling methodology adhered to a random sampling technique, a total of 150 questionnaires were disseminated as a precautionary measure to account for potential nonresponse. The primary instrument utilized for data collection was the questionnaire, meticulously structured in accordance with previously established insights pertaining to technology adoption (more specifically Facebook) and the performance of SMEs specifically within the geographical context of Buloba.

Validity, as advocated by Mugenda and Mugenda (2003), appraises the alignment of data analysis conclusions with the examined phenomenon. Content Valid Index (CVI) serves as a validation tool for the questionnaire, with SME owners and experts evaluating items. A CVI  $\geq 0.7$  validates instrument credibility, and this study achieves a CVI of 0.76. The test-retest technique establishes reliability, yielding a coefficient  $\geq 0.7$ . Spearman's Brown Prophecy formula computes a correlation coefficient of 0.81, denoting robust research tools. The data was analysed using SPSS; percentages, means, and standard deviations were used for the descriptive statistics. Pearson's linear correlation and multiples regression was used in the inferential statistics.

### IV. RESULTS

#### 4.1 Demographic Characteristics

The results show a male majority (50.8%) in Buloba's SMEs, indicating a tendency of mostly male-run enterprises, which is indicative of town's developing entrepreneurial status. With 38.3% of respondents under the age of 25, Uganda's youthful population is clearly driving participation. Furthermore, the majority of Bachelor's degree holders (28.2%) implies that unemployed young people turn to entrepreneurship, utilizing their tech-savvy attributes. According to marital status statistics (51.7% single, 30.8% married), SME ownership appeals to young people who see entrepreneurship as a viable alternative to restricted career options. The majority (45.8%) have 5 or fewer years of work experience, indicating a dynamic employment environment that may motivate youth to seek numerous alternatives, including SMEs.

#### 4.2 Descriptive Statistics

**Table 1: Level of Facebook Adoption**

Items	Mean	Std. Deviation	Interpretation
I am skilled in using Facebook [Skilled Usage]	3.31	1.187	Moderate
I have a big following on Facebook [Platform Following]	3.46	1.315	High
I use it to engage my customers [Customer Engagement]	3.32	1.174	Moderate
I market my product on it [Product Marketing]	3.08	1.199	Moderate

Customer place order through Facebook [Customer Ordering]	3.13	1.267	Moderate
<b>Average</b>	<b>3.26</b>	<b>1.2284</b>	<b>High</b>

The table 1 suggest that respondents generally exhibit a moderate to high level of Facebook adoption for various purposes, including skill usage (Mean = 3.31), platform following (Mean = 3.46), customer engagement (Mean = 3.32), product marketing (Mean = 3.08), and customer ordering (Mean = 3.13). These findings indicate that Facebook is a significant platform for SMEs in Buloba, and it is being used for various business-related activities, including engaging with customers and marketing products. Overall, the average score for all items combined is 3.26, with a standard deviation of approximately 1.23. This suggests a relatively high overall level of Facebook adoption among the respondents.

### 4.3 Inferential Statistics

**Table 2 Correlation matrix On aspects of Facebook Adoption and SMEs performance**

		SMEs Performance 1	2	3	4	5
Pearson Correlation	SMEs Performance	1.000	.221	.279	.348	.279
	Skilled Usage (1)	.221	1.000	.520	.588	.477
	Platform Following (2)	.279	.520	1.000	.596	.751
	Customer Engagement (3)	.348	.588	.596	1.000	.560
	Product marketing (4)	.279	.477	.751	.560	1.000
	Customer ordering (5)	.281	.409	.606	.452	.671

All significant at 0.05

The result in Table 1 suggests that SMEs Performance has a positive correlation with all the independent variables: (1) Skilled Usage, it has a correlation coefficient of 0.221, indicating a weak positive relationship; (2) Platform Following, it has a correlation coefficient of 0.279, suggesting a slightly stronger positive relationship; (3) Customer Engagement, it has a correlation coefficient of 0.348, indicating a moderate positive relationship; (4) Product Marketing, it has a correlation coefficient of 0.279, suggesting a similar moderate positive relationship; and (5) Customer Ordering, it has a correlation coefficient of 0.281, again indicating a moderate positive relationship. It is however important to note that correlation does not imply causation, thus the need for the regression analysis (table 2).

**Table 2 Facebook adoption on SME Performance in Buloba town.**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.985	.352		5.637	.000
	Skilled Usage	-.016	.101	-.018	-.160	.873
	Platform Following	.029	.144	.028	.199	.843
	Customer Engagement	.263	.119	.265	2.213	.029
	Product marketing	.028	.137	.029	.201	.841
	Customer ordering	.124	.113	.132	1.098	.275
R	0.376					
R Square	0.142					
Adjusted R Square	0.104					
F Statistic	3.762					
Sig.	0.003					

The results presented on table 2 revealed that Facebook adoption significantly affects performance of SMEs by causing a variance of 14% ( $R^2=0.142$ ,  $p<0.0003$ ). The  $R^2$  value of 0.142, indicating that approximately 14.2% of the variance in the SME performance can be explained by aspects of Facebook adoption included in the model. The F statistic is 3.762 with a p-value of 0.003. This suggests that the overall model is statistically significant, meaning that at least one of the independent variables has a significant impact on the SME performance. More specifically Customer Engagement appears to be the only independent variable to have a statistically significant relationship with SME performance, while the other variables do not show statistically significant effects. The coefficient for Customer Engagement is approximately 0.263. A one-unit increase in customer engagement is associated with an increase of 0.263 units in SME Performance. This confirms that the hypothesis 'Facebook adoption has a significant effect on SME performance in Buloba Town, Wakiso, Uganda.' is accepted.

## V. DISCUSSION AND CONCLUSION

The study found that the Facebook platform influences the success of SMEs performance but on a low level. The regression analysis indicates that Facebook adoption significantly affects SME performance. This suggests that at least one of the independent variables (in this case, Facebook adoption) has a significant impact on SME performance. Among the independent variables, Customer Engagement is the only one that demonstrates a statistically significant relationship with SME performance. This finding highlights the importance of engaging with customers on Facebook to enhance SME performance. The  $R^2$  value of 0.142 means that approximately 14.2% of the variance in SME performance can be explained by the factors related to Facebook adoption included in the model. While this indicates a statistically significant relationship, it also implies that there are other unaccounted-for factors influencing SME performance.

This was ascribed to the Social Media platforms employed by the assessed SMEs owners and employers was characterized by skilled usage, platform following, product marketing, customer ordering, and engaging Facebook pages that communicate the brand's relevance to customers. This is due to the fact that Facebook material frequently has a big impact on a specific target population that likes the brand. Regarding the findings of this study, several other researches have shown that using Facebook as an advertising strategy improves the efficiency of marketing (Meske & Stieglitz, 2013; Odoom, Anning-Dorson & Acheampong, 2017; Chetioui, Butt & Lebdaoui, 2021). The researchers discovered that Facebook may be used to advertise a business' name, address, and contact information as well as provide a quick summary of its products and services. Curran, and Lennon (2011), in their research paper, clarify that one significant characteristic that distinguishes Facebook from other social media sites is that it allows users to create a company page to promote their goods and services. Additionally, by sharing content, creating compelling material, and publishing photographs that will draw viewers and website visitors, these business sites serve as an excellent approach to increase awareness of the brand and communicate with current and new consumers.

This study confirms and thus concludes that Facebook platform has an impact on the performance of SMEs. This is explained by the fact that Facebook adoption with regards to Customer Engagement enhances SME performance. On the basis of this study, the following recommendations can be made:

1. Given that Customer Engagement on Facebook has a significant positive impact on SME performance, it is recommended that SMEs in Buloba town focus on strategies to engage with their customers effectively on the platform. This may involve responding to customer inquiries promptly, sharing relevant content, and fostering a sense of community.
2. While Facebook adoption is important, SMEs should not rely solely on Facebook for marketing. Diversifying marketing efforts across multiple channels may provide a more comprehensive approach to enhancing SME performance.
3. SMEs should continuously monitor their Facebook activities and track customer engagement metrics to assess the effectiveness of their strategies. Adjustments can be made based on performance data.

Direction for future research is suggested on the basis that since the model in this study explains only a portion of SME performance, it's advisable to explore other variables that might influence performance. Qualitative research or additional quantitative analysis could help identify these factors.

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